# Prince Edward Island Development Agency

## 1988 Annual Report

# Corporate Mandate and Objectives

The Prince Edward Island Development Agency is a provincial crown corporation established in 1984 with the proclamation of the Prince Edward Island Development Agency Act.

The role of the Agency is to stimulate the growth of economic development and create long-term jobs by promoting new and expanded business. This role is carried out through the conduct of vigorous business development activities and provision of a wide range of financial, marketing, and property management programs and services.

The Board of Directors of the Agency is chaired by the Minister of Industry and includes ten private-sector business leaders. In addition to the partnership of the public and private sectors, as represented by the Board, each of the Agency's three operating divisions is supported by an advisory committee from the private sector.

More specifically, the Agency's overall objectives are to develop, sustain and improve business activity in the province and to promote Prince Edward Island as a location for new or expanding economic activity. The Agency's three divisions carry out specific activities related to these objectives.

The Business Development division seeks and encourages firms to locate in Prince Edward Island and encourages the expansion and modernization of existing business.

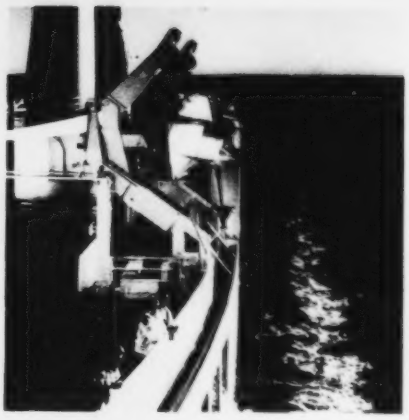
The Finance division encourages the startup and expansion of manufacturing enterprises and diversification of the Island's economy through the provision of financing, financial incentives and industrial facilities.

The Marketing division assists in increasing the market share for Island producers, processors and manufacturers of local, national and international markets for the Island's natural and manufactured products and associated services.

# Overview of Prince Edward Island

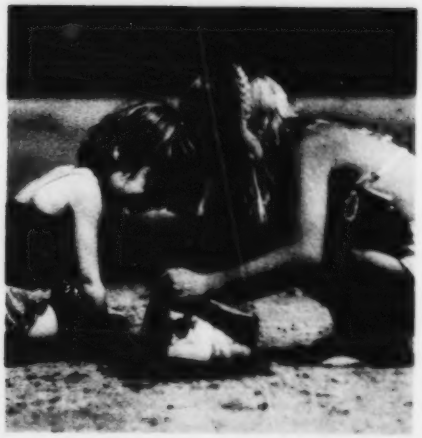
Prince Edward Island is an Island Province situated 15 kilometers off the east coast of mainland Canada. Served by a year round ferry, the Island combines a satisfying life-style with access to a potential market of over 100 million consumers. Prince Edward Island is only two days by tractor trailer from Toronto and New York and is served by major air and sea carriers.

The Island is not only central to Atlantic Canadian business, but is also ideally located for worldwide market destinations.



With a population of 127,300, Prince Edward Island boasts a stable and versatile work force with one of the best labor-management records in Canada. An innovative and world class community college trains workers for industry with government financial assistance.

The Prince Edward Island Development Agency actively serves the business community to ensure access to appropriate government incentives and private capital.

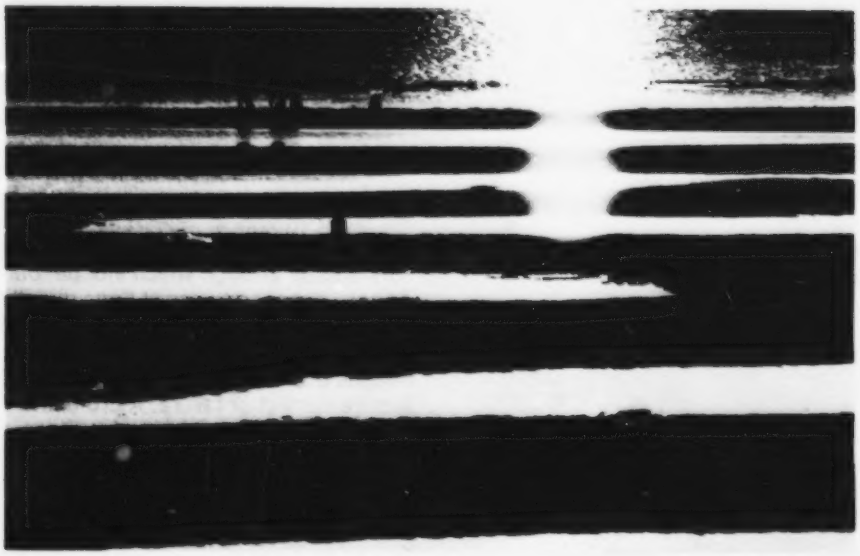


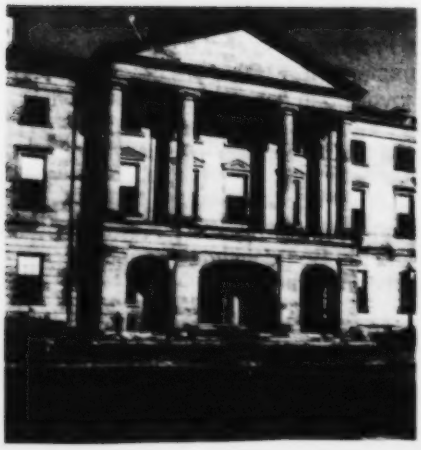
As the home of Confederation, Prince Edward Island is the appropriate location for new ideas. The Charlottetown Conference of 1864 resulted in the creation of Canada — a 'national' idea born on Prince Edward Island.

The Honourable Leonce Bernard invites both mature businesses and prospective entrepreneurs to bring their ideas to the Prince Edward Island Development Agency and continue a tradition.

The Island has a $50 million a year tourism industry with restaurants and hotels equal to any in Canada and the Eastern United States. Hospitality in Prince Edward Island is a way of life, and businesses that settle on the Island report that managers and their families cherish the life-style.

The moderate climate and superb beaches provide an outdoor environment for family oriented recreation that is the envy of Canadians in the industrial heartland.





# Report of the Chief Executive Officer

It is my pleasure to report on behalf of the Board of Directors of the Prince Edward Island Development Agency on the Agency's activities for the fiscal year ending March 31, 1988.

During the past year, one development took place which must take priority in this report. The establishment of the Atlantic Canada Opportunities Agency (ACOA) by the government of Canada has had a greater impact on the regional economic development than any other single event. It is anticipated that the federal government's role in promoting economic development in Prince Edward Island is greatly enhanced by this initiative.

The overall impact of ACOA can be seen as an opportunity for all of us at the Agency to re-examine our direction and re-focus our efforts to promote economic development. Consequently, we are seeking ways to present programs in a manner which complements those of ACOA and thereby restore the Province's industrial incentive programs as being second to none in Atlantic Canada.

During the year, the Prince Edward Island Development Agency developed a Strategic Overview in order to assist management in formulating divisional objectives and activities over the next three years. The process of drafting the Strategic Overview afforded the Agency the opportunity to clarify issues and priorities.

Here is a summary of the Issues section of the Overview: On Financial Risk, the Agency must continually balance the need to encourage risk-taking with the requirements to reduce its write-off rate on term loans and its pay-out on guarantees. We might better serve some of our clients by establishing advisory boards through which independent expert help could be provided at Agency expense to assist firms directly with management or other matters that may otherwise lead to serious problems; on Public Relations, the Agency feels very strongly about a pro-active communications approach that presents the images and stories that media generally miss because the media tends to feature conflict or failure. A pro-active communications strategy is currently evolving and shows signs of success early in the process; and lastly on Improving Service Delivery, the Agency is exploring options like "one stop shopping", a co-ordinated intake and referral system between the Agency and other departments offering complementary services.

The Agency also presented a list of Priorities. The following are highlights: On the Prospecting Strategy, the Business Development division will have a lead role in seeking out and attracting investors to locate business operations on Prince Edward Island; on Co-ordinating of Programs the concept of 'one-stop-shopping' will prevail as programs that complement ACOA's are developed; on the ERDA, the Agency will be very much involved in negotiations on a new marketing agreement and on the communications question the Agency will seek to establish a full time communications officer position in fiscal year 1989-90.

On May 14, 1987, an amendment to the *Prince Edward Island Development Agency Act* removed clause 3(1) (b), leaving the Board with ten private sector members and the Minister of Industry as chairman.

During the year, seven new Directors were appointed to the Board. They are Warren Carragher, Ted Henderson, Simon Arsenault of Summerside; Norma MacNeill of O'Leary; Lorin Brehaut of Murray Harbour and Harry Lowther and Tom Cullen of Charlottetown. We welcome these new Directors and look forward to working with them in the future.

The terms of seven Directors expired during the 1987-88 fiscal year. Retiring are Tom DeBlois, George Key and David Loggie who were founding members of the Agency Board since 1984; Regis Duffy, Alan MacPhee and Randolph Manning who were members since 1985 and Sandra Currie who completed a one year term. I take this occasion to express sincere gratitude on behalf of the Agency to these Islanders who shared their experience and their business acumen to assist development on Prince Edward Island.

This is the final year of the current Marketing Agreement and the Agency will be involved actively in the planning for a new sub-agreement with the Federal Government to assist in the development of new marketing opportunities for industry and commerce on Prince Edward Island. I take this opportunity to thank our federal counterparts for this collaboration and for their professionalism in serving the Island entrepreneur.

Fiscal year 1987-88 saw staff continue the tradition of professionalism and efficiency. Our Finance division assisted new and expanding business clients to acquire the right kind of support at the right time. Our Marketing division is assisting the shellfish industry to re-build after the recent setback and the Business Development division is identifying new and interesting enterprises with innovative technology which can generate meaningful work for Prince Edward Island into the future. I thank all the staff of the Agency for one more year of superb effort in this regard.

Mike Kelly

M. S. Kelly, CEO

# Agency Services

## Business Development

- Industrial prospecting identifies and assists new business to locate in Prince Edward Island.

- Assists potential business to move to Prince Edward Island, and existing companies to expand on the Island. Financial assistance can be sourced from the private sector as well as via government incentives. The Business Development Division puts the prospective company together with the most appropriate source of capital.

- Co-ordinating service facilitates the entry of the new company into Prince Edward Island with introductions to the local business community, locating suppliers and staffing and attention to start-up details. This service continues through this initial phase until it is no longer needed.

**Property**

- Provides suitable facilities for new enterprises at reduced rates during start-up in the West Royalty and Summerside Area Industrial Parks owned and operated by the Agency.

- Provides new and expanding industries in all areas of the province with rental incentives similar to those available in the Agency's industrial malls.

- Provides serviced industrial sites for sale at rates below market value to manufacturers and processors for the construction of industrial facilities.

## Marketing

**Resource Information**

- Research and Information provides marketing research services which identify new or increased sales opportunities in local, national and international markets.

**Market Organization**

- Assists primary producers, processors and manufacturers in the formation and maintenance of associations, commodity boards and other marketing organizations.

- Provides assistance to upgrade marketing skills and take better advantage of marketing opportunities.

- Provides the support required to formulate short and long term marketing plans and assist in their implementation.

**Marketing Promotion**

- Provides advertising and promotion assistance to advertise and promote both companies and their products in an effort to maximize sales.

- Assists both the preparation and attendance at product trade shows leading to the development and establishment of domestic and foreign market contacts.

**Market Development**

- Assists in generating sales of Prince Edward Island manufactured and processed products.

- Provides assistance for the development and evaluation of new or improved products and processes to expand production and markets.

## Finance

**Equity**

- Provides cash grants of up to 20 percent and in special circumstances 30 percent, to eligible investors and Small Business Development Corporations to assist entrepreneurs in attracting private capital through the Equity Investors' Incentive program.

- Provides under-financed but promising start-up or expanding firms with equity via redeemable preferred shares through the Small Business Equity program.*

**Loans**

- Provide manufacturers and processors with financing of capital assets which are directly associated with production facilities.

**Other**

- Provide a financial incentive to manufacturing and processing companies to create new employment opportunities under the Job Creation program.

*This program to be discontinued April 1, 1988.

# Operational Review

The Business Development division was established in November of 1986 to co-ordinate and implement the new Prospecting Strategy for Prince Edward Island. The fiscal year 1987-88 marks the first twelve months of operations for the Division.

**Business Development**
Business Development, also known as industrial prospecting, is the process of identifying, attracting and assisting appropriate business interests to locate and conduct business on Prince Edward Island for mutual advantage. The process involves personal communication and negotiation with potential entrepreneurs, executives, investors, and other business people. This activity is supported by advertising, promotion and public relations.

Once the location decision has been made, firms require assistance with the numerous start -up details such as facility preparations, introductions to the local business community, locating suppliers, and staffing. The Business Development division actively supports new clients through this phase.

Throughout the year, staff dealt with approximately thirty companies involved in situations ranging from new business start-ups to the establishment of branch operations. Also included were companies seeking refinancing through private equity placement. During the year, four firms established operations in Prince Edward Island, representing private investment of more than $6 million in the processing /manufacturing sector of our economy. At March 31, 1988, the Business Development division was communicating with twelve firms which are considering PEI as a potential location for their operations.

# BUSINESS DEVELOPMENT DIVISION

Site selection and the provision of a suitable facility is an important element in attracting new business to the province. For this reason, the management of industrial park properties, including infrastructure and buildings, is the responsibility of the Business Development division.

Serviced industrial sites are available for purchase in the West Royalty and Summerside Area Industrial Parks maintained by the Agency. Industrial mall spaces are also available for lease in the two parks. The parks comprise approximately 136 acres, and are occupied by approximately 45 businesses employing nearly 900 people.

The fiscal year ending March 31, 1988, saw twelve new leases negotiated for location in the incubator malls in the Summerside Area Industrial Park and the West Royalty Industrial Park bringing occupancy rates for the malls to 93%. The Agency also owns ten industrial facilities in both parks which are under long term lease with 100% occupancy.

Construction of a new Industrial building commenced in the fall of 1987. This building is scheduled for completion in late spring 1988. The building will qualify for assistance to eligible businesses under the ACOA programs and investment tax credits.

Interest in land for new business and expansion of existing operations is encouraging for the ongoing development of the parks. Eight firms presently hold rights-of-first-refusal or show serious interest in land in the industrial parks.

During the year, one new 5,000 square foot building was constructed in the West Royalty Industrial Park by a private firm.

Availability of fully serviced facilities continues to be a very positive factor in the decision of entrepreneurs to locate on Prince Edward Island.

# Operational Review

March 31, 1988 completes year four of the five year Federal/Provincial ERDA Marketing Sub-Agreement and again, as in all of the other years, the Marketing division has continued to expand market development activity. In fiscal year 1987-88, 526 projects were completed, an activity increase of 9 percent over our record year of 1986-87.

A breakdown of activity by sector this year shows that the industrial area was the highest, accounting for 42 percent of total volume. Some of this increase in the industrial sector is attributable to the secondment, during the past year, of the Director of Handcraft Development, Joan Auld, to the division and the inclusion of her projects into the divisional system. The intention of this move is to make better use of marketing programs in encouraging small crafts operations with quality products to expand, to take advantage of larger market potential and to create new employment in the process.

The presence of ever-increasing competitive forces in national and international target markets makes it increasingly difficult for Island processors and manufacturers to maintain their market share, and their reliance on the Marketing division for expertise and cost-shared dollars continues to illustrate the important function played in maximizing their marketing efforts. As in other years, the vast majority of assistance volume was in projects under $5,000. This again emphasizes the work with the smaller business operators even though those projects over $5,000 account for the majority of dollar expenditure. Seventy percent of the business operations of Prince Edward Island have less than 10 employees and, in fact, 50 percent have less than five.

## Pro-Activity

The Marketing division was able to spend more time with potential clients encouraging new marketing efforts. As a division, and in co-operation with Provincial Regional Service Centers, the division organized market discussion meetings with many new and potential small business operators. The follow-up to this initiative in actual marketing projects has been excellent and already there are positive sales results and business expansions as a consequence of the effort. The Marketing division will continue this effort of pro-activity.

## Service Sector

During the past year it was determined to move cautiously forward in assisting the service sector's marketing needs. The division entered into a few small projects and with the co-operation of the Marketing Committee, approved a major marketing plan covering the promotion of an energy control system. All service sector projects must be interpreted as relating to processing and manufacturing. A policy to properly define this is currently under development by staff and is one of the objectives for the current year.

# MARKETING DIVISION

## Trade Shows

Trade show participation continues to be one of the best marketing tools available and it is the one where small business operators require the most assistance. The expertise in presentation, promotion and display that is provided has continued to gain the ability to meet directly and personally with potential buyers resulting in excellent contacts and orders. An effort was made this past year to be more selective in show participation and the result was a smaller expenditure of dollars and a greater return in contacts and sales.

Major projects, during the past year and apart from the over 400 initiated in the under $5,000 category, include:

* Potato promotion with the Potato Marketing Board
* Promotion to re-establish the mussel industry
* Marketing plans
* Ongoing lobster promotional activities including the production of a new four language brochure (English, French, German, and Japanese)
* Market Studies
* Prototype Development
* Development and initial promotion of new food products.

This past year, the Marketing division updated and re-published a new Prince Edward Island Directory of Manufacturers and Processors, and continued editing and producing regular issues of *Showcase*, the Agency publication for Island businesses.

## Resource Centre

Product Development projects, with both resource and manufactured products, have been an indicator of success since the Market Development Centre was originated almost twenty years ago. Over the years the division has concentrated on effectively linking new technology and development in the industry to Prince Edward Island processors to utilize their existing equipment and facilities. Once the basic "technology gap" has been bridged efforts are made to lease specialized equipment and personnel. During the past year the division completed a project initiated with an Island dairy to develop a quality cheese spread and preliminary testing is very positive. The Marketing division also continued studies on smoked seafoods, frozen chowders, processed herring roe, soybeans and a vacuum package of mussels that, at year end, has gained the serious interest of one of the nation's leading merchandisers.

## Product Development

Again this year the division has continued to upgrade and improve its Resource Centre with new marketing and product information for the benefit of our Island business clients and staff. Individual project evaluation continues to ensure the value of the effort and provides an efficiency record when considering new projects.

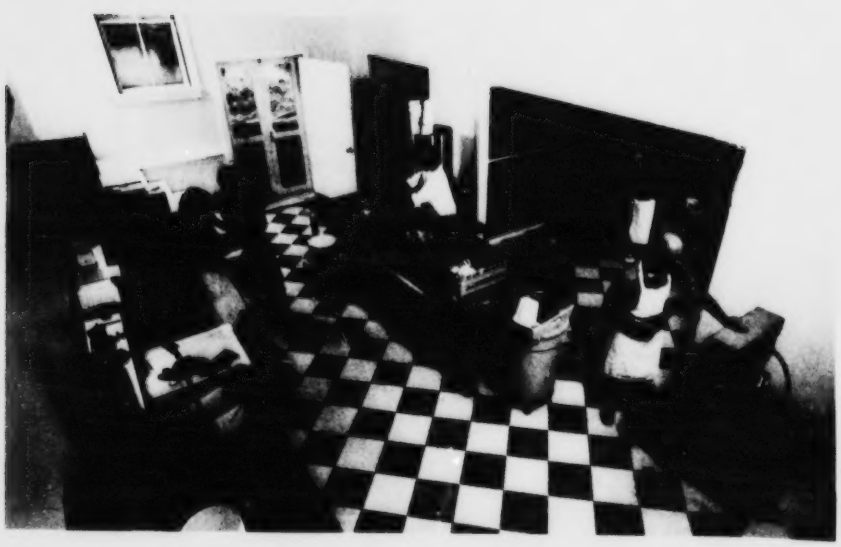
# Operational Review, Finance Division

The past year saw a 23 percent increase in the number of applications processed and approved by the Finance division; 93 applications were approved versus 71 in the previous year. This increase can be attributed to the establishment of the Business Development division, whose prospecting efforts resulted in attracting a significant number of new business ventures to Prince Edward Island.

During the year, the Finance division made a concerted effort to steer away from its past traditional role as a lender. This policy emerged as a result of the high number of client business failures and accompanying loan losses which the Agency had experienced in the past and an increasing awareness that debt financing was not the most appropriate method for new start-ups. As an alternative, the Agency introduced incentives that would both encourage greater participation by the private sector and, at the same time, offer a stronger financial base for new start-ups during their formative years.

The results of these efforts are evident in a detailed analysis of the amount and type of assistance approved this year. Term Loan and Loan Guarantee approvals, which in the previous year represented over 30 percent of the number of applications approved, in the past year, were reduced to 14 percent of the total number of applications approved. Furthermore, the total dollar amount of long term loans approved in the year decreased from $2,655,900 to $1,761,500 and of this amount only $336,500 were new term loans. The remaining $1,425,000 were consolidations of existing debt carried over by the Agency or other provincial departments.

Short term or bridge financing in the amount of $1,305,000 was provided during the year and all but $320,000 has since been repaid.



Seventy four applications under the Agency's incentive programs were approved in the current year compared to 46 for the previous year. The bulk of the incentives approved were either from the Equity Investors' Incentive or the Job Creation Incentive Programs. The Equity Investors' Incentive approvals in the amount of $1,225,900 has attracted close to $5.0 million of private equity investment and projected capital expenditures of nearly $10 million for the province. The Job Creation Incentive approvals of $1,731,935 will result in the creation of 285 person years of employment. Funds approved under this program are disbursed against actual performance over the next three years assuring an economic benefit to the Province for dollars spent. Internal guidelines have also been put in place to improve cost effectiveness of program dollars by placing ceilings on the amount of incentives per project and encouraging utilization of federal programs.

For the coming year, despite a predicted strong growth in the industrial sector for the area, demands for PEI Development Agency assistance will level off and probably diminish. This will be due in part to the generous assistance programs currently being offered by the Atlantic Canada Opportunites Agency and a decreased confidence level in the equity market following October's crash. Until that time, the equity market was effectively utilized by the Agency's Equity Investors' Incentive program in attracting capital for new start-ups.

# Approved Financing to Establish or Expand Island Businesses

**In Fiscal Year Ended March 31, 1988**

| | 1988 | | 1987 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| **ECONOMIC SECTOR** | | | | |
| Agriculture | 3 | 121,500 | 2 | 487,500 |
| Fisheries | 5 | 2,227,500 | 9 | 1,890,900 |
| Industry | 11 | 1,230,250 | 14 | 1,322,000 |
| | 19 | 3,579,250 | 25 | 3,700,400 |
| **SIZE OF APPROVAL ($)** | | | | |
| 0 - 49,999 | 4 | 99,000 | 7 | 207,500 |
| 50,000 - 99,000 | 4 | 217,750 | 3 | 200,000 |
| 100,000 - 249,999 | 7 | 952,500 | 10 | 1,377,900 |
| 250,000 - 499,999 | 2 | 860,000 | 4 | 1,275,000 |
| 500,000 - 1,000,000 | 2 | 1,450,000 | 1 | 640,000 |
| Over 1,000,000 | - | - | - | - |
| | 19 | 3,579,250 | 25 | 3,700,400 |
| **TYPE OF ASSISTANCE** | | | | |
| Guarantee | 8 | 512,750 | 10 | 649,500 |
| Term Loan | 11 | 3,066,500 | 12 | 2,655,900 |
| Other | - | - | 3 | 395,000 |
| | 19 | 3,579,250 | 25 | 3,700,400 |
| **PURPOSE OF FINANCING** | | | | |
| Establish new business | 8 | 1,527,500 | 8 | 1,535,000 |
| Expand existing business | 7 | 376,750 | 17 | 2,165,400 |
| Refinance existing business | 4 | 1,675,000 | - | - |
| | 19 | 3,579,250 | 25 | 3,700,400 |

# Approved Financial Incentives to Establish or Expand Island Businesses

**In Fiscal Year Ended March 31, 1988**

| | 1988 | | 1987 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| **ECONOMIC SECTOR** | | | | |
| Agriculture | 9 | 772,970 | 5 | 235,890 |
| Fisheries | 14 | 506,810 | 14 | 796,929 |
| Industry | 51 | 2,554,907 | 27 | 1,454,758 |
| | 74 | 3,834,687 | 46 | 2,487,577 |
| **SIZE OF APPROVAL ($)** | | | | |
| 0 - 4,999 | 8 | 25,277 | 3 | 9,690 |
| 5,000 - 9,999 | 8 | 56,863 | 4 | 23,328 |
| 10,000 - 24,999 | 22 | 334,829 | 11 | 168,679 |
| 25,000 - 49,999 | 13 | 434,201 | 9 | 298,165 |
| 50,000 - 99,999 | 10 | 608,260 | 9 | 646,550 |
| Over 100,000 | 13 | 2,375,257 | 10 | 1,341,165 |
| | 74 | 3,834,687 | 46 | 2,487,577 |
| **TYPE OF ASSISTANCE** | | | | |
| Equity Investors' Incentive | 18 | 1,225,900 | 4 | 220,000 |
| Job Creation | 25 | 1,731,395 | 18 | 1,524,815 |
| Pre-Venture | - | - | 3 | 18,750 |
| Rental Incentive & Mall Program | 23 | 550,792 | 8 | 105,662 |
| Small Business Equity | 5 | 275,000 | 6 | 353,000 |
| Small Business Dev't. Corp. | 3 | 51,600 | 7 | 265,350 |
| Venture Capital | - | - | - | - |
| | 74 | 3,834,687 | 46 | 2,487,577 |
| **PURPOSE OF FINANCING** | | | | |
| Establish new business | 48 | 3,192,673 | 22 | 1,141,355 |
| Expand existing business | 25 | 619,514 | 24 | 1,346,222 |
| Refinance existing business | 1 | 22,500 | - | - |
| | 74 | 3,834,687 | 46 | 2,487,577 |

# Approved Marketing Assistance to Develop and Expand Markets for Island Products

**In Fiscal Year Ended March 31, 1988**

| | 1988 | | 1987 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| **ECONOMIC SECTOR** | | | | |
| Agriculture | 80 | 362,045 | 87 | 393,574 |
| Fisheries | 82 | 330,000 | 123 | 465,180 |
| Industry | 223 | 579,350 | 211 | 614,125 |
| General | 42 | 70,280 | 61 | 148,705 |
| Handcraft | 99 | 156,654 | - | - |
| | 526 | 1,498,329 | 482 | 1,621,584 |
| **SIZE OF APPROVAL $** | | | | |
| 0 - 4,999 | 495 | 667,219 | 439 | 631,624 |
| 5,000 - 9,999 | 9 | 60,900 | 9 | 56,925 |
| 10,000 - 24,999 | 14 | 235,685 | 27 | 472,635 |
| 25,000 - 49,999 | 6 | 173,600 | 5 | 201,700 |
| 50,000 - 99,999 | - | - | 1 | 95,000 |
| Over 100,000 | 2 | 360,925 | 1 | 163,700 |
| | 526 | 1,498,329 | 482 | 1,621,584 |
| **TYPE OF ASSISTANCE** | | | | |
| Advertising and Promotion | 96 | 169,630 | 96 | 269,975 |
| Market Development | 75 | 84,920 | 104 | 237,675 |
| Market Organization, Education and Management | 40 | 139,710 | 45 | 302,380 |
| Market Research | 26 | 60,850 | 20 | 37,850 |
| Production Development | 82 | 202,590 | 105 | 379,914 |
| Specialized Market Assistance | 10 | 491,985 | 5 | 156,445 |
| Trade Shows | 98 | 191,990 | 107 | 237,345 |
| Handcraft | 99 | 156,654 | - | - |
| | 526 | 1,498,329 | 482 | 1,621,584 |

# Businesses Assisted

**In Fiscal Year Ended March 31, 1988**

A.P.S. (Ashley Products), Rosebank
Abegweit Seafoods Inc., Naufrage
Abegweit Seafoods Inc., Tignish
Acadian Fishermen's Co-op, Abram's Village
Acadian Pioneer Village Handcraft, Wellington
Advanced Medical Technologies Inc., West Royalty
Advanced Telecommunications Systems, West Royalty
Amalgamated Dairies Ltd., Summerside
Anne Agencies Ltd., Summerside
Anne of Green Gables on PEI, Cavendish
Antolick, Michael, Montague
Ap-Chem Inc., West Royalty
Aqua Health Limited, West Royalty
Arethusa Craft, Tyne Valley
Atlantic Aqua Farms, Belfast
Atlantic Fish Specialties Ltd., Parkdale
Atlantic Processors Ltd., Alberton
Attic Cresting Inc., West Royalty
Bates, Vera, Brooklyn
Beinn Mara Apiaries, Charlottetown
Bennett, Esther, Souris
Bernard, Normand, Summerside
Bigger, Paula, Ellerslie
Bjornskinns, Charlotteown
Bonnets & Braids, Charlottetown
Buell, Joseph R., Charlottetown
Business Training Centre, The, Charlottetown
Cabana, The, Miscouche
Cahill, Ronelda, St. Charles
Cardigan Craft Centre, Cardigan
Cardigan Feed Service, Cardigan
Career Fashions, Montague
Carratech Inc., West Royalty
Carruthers, James, Kensington
Cass Craft of P.E.I., Meadowbank
Cavendish Farms, New Annan
Charlottetown Metal Products, Milton
Choice Inc. (ZVSL), Montague
Chimney Guard Ltd., West Royalty
Cilla's Homemade Chocolates, Summerside
Clarke Printing, Charlottetown
Ciassic Creations, Summerside
Coastline Designs, Kingston
Coles Door Systems, Winsloe
Compu-Covers, Charlottetown
Creative Esthetics Orthodontic Laboratory, West Royalty
Crescent Productions, Charlottetown
Culture Craft Co-op, Richmond
Cytrigen Energy Products & Services Ltd., Summerside
D & D Prescast Stone, Bloomfield
D & L Cabinet Doors, Summerside
D H Mabon Ltd., Montague
Delaney, Gail and Donna Cobb, Kensington
Diagnostic Chemicals Ltd., West Royalty
Dignan, Mary, Charlottetown
Dixon, Inez, Souris
Doiron, Marina, Hunter River
Douglas, Lynne, Hunter River
Drake's Truck Box Sales, Vernon Bridge
Dubey, Lesley, Tyne Valley
Eastern Overhead Doors (P.E.I.) Ltd., Summerside
Eastern Seagulls Arts & Crafts, Souris
Energy Watch Systems Ltd., Charlottetown
England Fur Farms, Summerside
Eric C. Robinson Inc., Albany
Fine n' Fancy, Charlottetown
Fire Matics Canada Ltd., West Royalty
Flat River Craftsmen, Belle River
Fortune Enterprises, Souris
Gallant, Francis P., Egmont Bay
Gallant, Leslie, Marie
Garden Province Meats (1985) Inc., Charlottetown
Gaudreau Fine Woodworking, Hunter River
Gavin Gill Inc., Parkdale
Georgetown Shipyard Inc., Georgetown
Geppetto's Workshop, Kensington
Glen William Greenhouses, Glen William
Gorman Controls Ltd., Bonshaw
Great Northern Knitters Inc., West Royalty
Green Acres Produce Ltd., O'Leary
Groupe Capital Risque Baie Acadienne, Wellington
Gulf Garden Products, West Covehead
Gulfstar Chemicals Inc., Hunter River
Hall & Stavert Ltd., West Royalty
Health Pasteurized Milk Co. Ltd., Hunter River
ID3, Crossroads
Images East Co. Ltd., Charlottetown
Imperial Ambulance Outfitters Ltd., Summerside
In Sight Productions Inc., Charlottetown
Island Beansprout, Little York
Island Chocolates, Victoria
Island Computer, Charlottetown
Island Control, Charlottetown
Island Crafts Shop, Charlottetown
Island Farm House Gouda, Winsloe
Island Hay & Straw Co-operative, Hunter River
Island Knitters Club, Bunbury
Island Media Arts Co-op, Charlottetown
Island Metal Fabricators, West Royalty
Island Packaging Co. Ltd., Pownal
Island Saltfish Inc., Desable
Island Souvenirs Ltd., Murray River
Island Windcraft, Breadalbane
Islander Records, Charlottetown
Islanders Clothing Company, Victoria
JADCA Net Ltd., Souris
Jansons, Peter, Brackley Beach
Johnston, David S., Bunbury
Johnston's Home Style Products Ltd., West Royalty
Jussaune, Dennis, Charlottetown
K. Sarah Farms, Vernon Bridge
Keeping & MacKay Ltd., Murray Harbour
Kessler, Deidre, Charlottetown
La Cooperatives Les P'tits Acadiens Ltée., Abrams Village
Le Village Pionnier Acadien, Mont Carmel
Leisure Services Ltd., French River
Leoville Industries, Leoville
Lighthouse Craft Guild, West Point
Lindsay Hogan Maternity Fashions, Cornwall
Lund, Jane, Parkdale
M. S. Ltd., West Royalty
MacAulay Industries, St. Peter's Bay
MacAusland Woolen Mills, Bloomfield
MacKay, Carl, Charlottetown
MacRae, Martin, St. Edwards
Madsen's Maple Products, Summerside
Magic Meadows (Wayne Schnieder), Dover
Marenco Engineering Ltd., West Royalty
Marine Harvesting Ltd., Georgetown
Maritime Steel & Foundries Ltd., Bloomfield
Matrix (PEI) Inc., West Royalty
Matrix Productions, Charlottetown
Matthews, Vaughan, Murray River
McInnis, Sheila, ND, Souris
Microtech Sales & Supplies Inc., Parkdale
Montgomery, Doris, Park Corner
Minegoo Indian Arts & Crafts Society of PEI, Johnston's River
Mud Puddle Enterprises, Belle River
Murray Harbour Seafoods Inc., Murray Harbour
North Ocean Enterprises Ltd., Souris
North Shore Packing Co., (1984) Ltd., Darnley
Northumberland Paints, Charlottetown
Northumberland Seafoods Ltd., Charlottetown
Nowlan, Susan, Charlottetown
Nowlan, Susan/Lesley Bros., Charlottetown
Old Forge Pottery & Craft, The, Hunter River
Oyston, Carolyn, Charlottetown
P C Industries, Summerside
P.E.I. Export Ltd., Charlottetown

P.E.I. Pattern Works, Summerside
P.E.I. Potato Chip Co-operative, Urbainville
P.E.I. Preserve Company, New Glasgow
P.E.I. Produce Company Ltd. (Canada Packers), Summerside
Padinox Inc., West Royalty
Patty Palmer Designs, Charlottetown
Peaceworks, Charlottetown
Perfection Foods, Charlottetown
Phoenix Eyewear Inc., West Royalty
Polar Productions & Sports Consultants Inc., Charlottetown
Prebilt Structures, Sherwood
Precision Products & Services Ltd., West Royalty
Prince County Craftsmen, Kensington
Profit, Bonnie, St. Louis
Protronex Industries, West Royalty
Provincial Construction Co., Kensington
Pure Water Company (Kay Reeves), Charlottetown
Queens County Blacksmith Shop, Vernon Bridge
Rafuse, Kathleen, Murray River
Ragweed Press, Charlottetown
RAVE, Charlottetown
Ray-Way Inc., West Royalty
Read, Geoff T., Breadalbane
Redcliffe Downs, Hampton
Reddin, Aggi Rose, Summerside
Rivus Inc. (Maxine Delaney Fashions), Charlottetown
Robertson, Lester, Oyster Bed Bridge
Rodlen Wood Chip Co. Ltd., Summerside
Roper, Kenneth, Battery Point
Ross Investment Co. (Selkirk Enterprises), Charlottetown
Royal Malpeque Blue, Summerside
Rutterford, Erica, Belfast
Salt Box Factory, The, Basin Head
Schurman Industries, Summerside
Seaspring Farms Ltd., Charlottetown
Shea's Seaweed, Anglo
Sherren, Mrs. Elwin, Crapaud
Shumates, The, Eldon
Sigler Software Inc., Charlottetown
Sister's Cake & Pie Specialty, West Royalty
Solo Productions, Charlottetown
Sound Ventures, Charlottetown
Souris Fabric Inc., Souris
Souris Seafoods Ltd., Souris
St. Peter's Bay Mussel Farms, St. Peter's Bay
Stanley, Christine, Breadalbane
Stoneware Pottery, South Milton
Street Rod Products, New Perth
Summer's Bounty Ltd., Charlottetown
Summerside Sea Products Ltd., Summerside
Sweaters & Things, O'Leary
Tannereye Ltd., West Royalty
Technical Arts Co-op, Charlottetown
Theatre After All, Charlottetown
Tin Shop, The, Breadalbane
Trenholm, Shirley, Loyalist Road
Tyne Valley Studio, Tyne Valley
Vantyghem Enterprises Ltd., Bellevue
Victoria Artisans, The, Charlottetown
Vincent, Kim, Hunter River
W. V. Gallant Welding & Repair, Summerside
Wendell Graham (1981) Ltd., Gaspereaux
West Prince Computers, Bloomfield
Westech Agriculture Ltd., Bloomfield
Wevea Canada Ltd., Montague
Wharf Rat Ltd., West Royalty
William Condon & Sons Ltd., Charlottetown
Wind in the Willow, Charlottetown
Xtalite Technology Ltd., West Royalty
Yeo, Wilma, Summerside
Zwikker's Boiler Services Ltd., Borden

## Commodity Boards, Marketing Boards, Associations and Government Departments Assisted

**In Fiscal Year Ended March 31, 1988**

Aquaculture Industry
Atlantic Craft Trade Show
Atlantic Film & Video Producers
Atlantic Publishers Assn.
Culinary Institute of Canada
Holland College Fashion Technique & Design Department
Holland College Photography Department
Holland College School of Visual Arts
Prince Edward Island Convention Bureau
Prince Edward Island Crafts Council
Prince Edward Island Department of Agriculture
Prince Edward Island Department of Industry
Prince Edward Island Department of Tourism
Prince Edward Island Egg Commodity Marketing Board
Prince Edward Island Farmer's Market
Prince Edward Island Food Technology Centre
Prince Edward Island Hog Commodity Marketing Board
Prince Edward Island Lamb Co-op
Prince Edward Island Market Gardens
Prince Edward Island Marketing Council
Prince Edward Island Milk Marketing Board/Dairy Producers & Processors
Prince Edward Island Mussel Growers Association
Prince Edward Island Oyster Industry
Prince Edward Island Potato Marketing Board
Prince Edward Island Potato Marketing Commission
Prince Edward Island Producer Associations
Prince Edward Island Quilters
Prince Edward Island Strawberry Growers Associations
Prince Edward Island Women's Institute
Spinners & Weavers Guild of Prince Edward Island

# Corporate Directory

## Board of Directors

*Hon. Leonce Bernard,
Wellington
Minister of Industry and Chairman

Simon Arsenault,
Summerside
Business Executive

Lorin Brehaut,
Murray Harbour
Meat Manager, S.D. Hugh Ltd.

Warren Carragher,
Summerside
Chartered Accountant

Tom Cullen,
Charlottetown
Vice President, Purity Dairy Ltd.

Ted Henderson,
Summerside
President, Anne Agencies Ltd.

*Mike S. Kelly,
Sherwood
Chief Executive Officer, PEIDA
Deputy Minister of Industry

Harry Lowther,
Charlottetown
Marketing Manager, Home Hardware

Wendell MacDonald,
Charlottetown
President, Island Metal
Fabricators Ltd.

*J. Norman MacLeod,
Sherwood
President, Williams, Murphy &
MacLeod (1971) Ltd.

Norma MacNeill,
West Devon
Financial Administrator,
West Prince Ventures Ltd.

Dean C. Shaw,
Charlottetown
Solicitor

*Member of Executive Committee

## Advisory Committees

**Finance**

J. Norman MacLeod,
Chairman

Wendell MacDonald,
Vice Chairman

Warren Carragher

Harry Lowther

Norma MacNeill

**Marketing**

Ted Henderson,
Chairman

Dean C. Shaw,
Vice Chairman

Simon Arsenault

Lorin Brehaut

Tom Cullen

## Officers

Hon. Leonce Bernard
Chairman of the Board

Mike S. Kelly,
Secretary-Treasurer and
Chief Executive Officer

Ronald H. Atkinson
Executive Director, Marketing

Hillard MacKinnon
Executive Director, Finance

Donald E. Baker
Executive Director,
Business Development

J. Reagh Hicken, Controller

## Auditors

Coopers & Lybrand
Chartered Accountants

## Banker

The Toronto-Dominion Bank

Design: Design Associates Limited
Typesetting: Technographics Limited
Photography: Barrett & MacKay
Camera Art
Gordon Johnston
John Sylvester
Printing: Island Offset

# Financial Statements

**For the Year Ended March 31, 1988**

## AUDITORS' REPORT TO THE DIRECTORS

**June 6, 1988**

We have examined the balance sheet of the Prince Edward Island Development Agency as at March 31, 1988 and the statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Agency as at March 31, 1988 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS
Charlottetown, P.E.I.

## Balance Sheet

**As at March 31, 1988**

| | 1988<br>$ | 1987<br>$ |
|---|---|---|
| **ASSETS** | | |
| Cash and short-term deposits | 621,732 | 341,495 |
| Accounts receivable | 269,451 | 115,977 |
| Loans receivable (note 4) | 11,310,596 | 12,876,922 |
| Share investments (note 5) | 5,378,428 | 342,331 |
| Property holdings (note 6) | 6,609,298 | 6,428,492 |
| Other investments (note 7) | 4,380,002 | 4,240,001 |
| Due from the Province of Prince Edward Island (note 8) | | |
| - Current operations | - | 121,616 |
| - Provision for possible losses | 7,243,061 | 3,392,723 |
| | 35,812,568 | 27,859,557 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | 4,300,248 | 2,984,224 |
| Due to the Province of Prince Edward Island - current operations (note 8) | 1,655,064 | - |
| Notes Payable (note 9) | 29,848,956 | 24,867,033 |
| | 35,804,268 | 27,851,257 |
| **EQUITY** | | |
| Contributed Capital | 8,300 | 8,300 |
| | 35,812,568 | 27,859,557 |

Signed on behalf of the Board

Director

Director

## Statement of Operations

**For the Year Ended March 31, 1988**

| | 1988 | 1987 |
|---|---|---|
| | $ | $ |
| **REVENUE** | | |
| Grant from the Province of Prince Edward Island | 12,175,800 | 8,360,700 |
| Grant from the Department of Industry | 41,917 | - |
| Interest from borrowers and deposits | 1,628,518 | 1,680,971 |
| Rentals and recoveries from properties net of rental subsidies of $489,773 (1987 - $406,895) | 468,076 | 467,697 |
| Gain on sale of buildings held for resale | - | 150,000 |
| Other | 20,049 | 24,380 |
| | 14,334,360 | 10,683,748 |
| **EXPENSES** | | |
| Incentive programs (note 10) | 4,333,713 | 3,480,942 |
| Administration and business development | 2,041,357 | 1,791,265 |
| Properties | 1,166,725 | 1,247,395 |
| Interest on funds borrowed | 1,733,860 | 1,722,945 |
| Assistance to meat processing industry | 956,728 | 1,757,697 |
| Prince Edward International Ltd. | 102,188 | - |
| P.E.I. Manufacturers Technical Support Centre | 25,000 | - |
| Provision for possible losses | 3,970,180 | 921,399 |
| | 14,329,751 | 10,921,643 |
| | 4,609 | (237,895) |
| **INCOME (LOSS) OF SUBSIDIARY CORPORATIONS** | 275 | (5,120) |
| **EXCESS REVENUE (EXPENSES) FOR THE YEAR (note 8)** | 4,884 | (243,015) |

# Notes to Financial Statements

**For the Year Ended March 31, 1988**

## 1. ACCOUNTING POLICIES

General

The financial statements of the Agency have been prepared in accordance with generally accepted accounting principles. The following is a summary of significant accounting policies used in the preparation of these financial statements.

Lease options

Certain buildings constructed for industrial companies are leased with an option for the companies to purchase the buildings after five years, and are carried at the cost of the property plus capitalized interest, net of lease payments.

**Provision for possible losses**

A provision for possible losses is determined annually based on historical collection experience and a review of loans, share investment portfolio and property held for resale. Interest revenue is no longer accrued for accounting purposes on loans when a write-off becomes anticipated.

The Provision for possible losses is recorded as an expense and an amount due from the province.

The Agency records as revenue the annual budgeted provision for current year's possible losses. Any variance of the actual provision from the budgeted provision is recorded as "Due From (To) The Province - Current Operations."

**Share Investments**

(a) *Equity investments*

One-half of investments made under the small business equity program are included on the balance sheet as share investments. One half of the investments approved are accounted for as an incentive program on the statement of operations. Any recovery exceeding the balance in share investments will be taken into revenue when received.

Other equity investments are accounted for by the cost method.

(b) *Investment in subsidiaries*

The Agency records the investment in wholly-owned subsidiaries, Ward Holdings Ltd., F.T.C. Enterprises Limited, Prince Edward International Ltd. and a 53.6% interest in Gemini Food Corporation using the equity method of accounting.

In order to provide a more informative presentation of the operations of the Agency, the financial statements of subsidiaries are not consolidated.

Property holdings and depreciation

Property holdings are valued in total at the lower of cost, net of government grants, and anticipated realizable value. Accumulated interest is included in the cost of industrial sites. Office furniture and equipment were expensed in prior years due to their immaterial nature.

The industrial malls are being depreciated using the straight-line basis over either 15 years or 25 years, the same period as the related debt is being retired. Office furniture and equipment are being depreciated using the straight-line basis over 3-5 years.

Other investments

The Prince Edward Island Development Agency has purchased $3,862,000 in class B preferred shares of Garden Province Meats (1985) Inc. relating to capital expenditures. These Class B shares are carried on the balance sheet at cost.

In accordance with an agreement outlined in note 11, the Agency receives Class B preferred shares equal to the assistance made to offset operating losses. These Class B preferred shares are carried on the balance sheet at a nominal value of $1 with the investment expensed as assistance to meat processing industry.

**Incentive programs**

Incentive programs for the finance division are expensed and included in accrued liabilities when approved and accepted. Marketing division programs are recorded only when funds are disbursed, since the total amounts are not determinable when such programs are initially approved.

## 2. STATUS OF THE AGENCY

The Agency was incorporated as a Crown Corporation in 1984 pursuant to the Prince Edward Island Development Agency Act. The financial results of the Agency are included in the public accounts of the Province of Prince Edward Island.

## 3. ACQUISITIONS

During the year, the Agency incorporated two wholly-owned subsidiaries - Prince Edward International Ltd. and F.T.C. Enterprises Limited and purchased 100 common shares of each for cash of $1 per share.

On March 23, 1988, the Agency acquired 53.6% of the issued and outstanding voting common shares of Gemini Food Corporation, 100% of the non-voting Class B shares, 47.3% of the issued and outstanding convertible preferred shares and a convertible debenture for cash of $3,738,122. The allocation of the purchase price is as follows:

| | |
|---|---|
| 4,374,444 Common shares | 2,313,877 |
| 40,795 Class B shares | 40,795 |
| 135,600 Preferred shares | 1,288,200 |
| Debenture | 95,250 |
| | $3,738,122 |

As an audited balance sheet has not been prepared at the acquisition date, March 23, 1988, the purchase price has not been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition.

## 4. LOANS RECEIVABLE

| | 1988 | 1987 |
|---|---|---|
| | $ | $ |
| Principal | 13,493,352 | 14,504,127 |
| Interest accrued and receivable | 257,134 | 147,434 |
| | 13,750,486 | 14,651,561 |
| Lease options net of unearned lease revenue of $1,036,927 (1987 - $1,111,668) | 721,436 | 732,804 |
| | 14,471,922 | 15,384,365 |
| Less: Provision for possible losses | 3,161,326 | 2,507,443 |
| | 11,310,596 | 12,876,922 |

## 5. SHARE INVESTMENTS

| | 1988 | 1987 |
|---|---|---|
| | $ | $ |
| (a) *Shares in private companies* | | |
| Small Business Equity program | 429,625 | 332,125 |
| Other equity investments | 4,115,000 | 115,000 |
| | 4,544,625 | 447,125 |
| Less: provision for possible losses | 2,913,800 | 113,800 |
| | 1,630,825 | 333,325 |
| (b) *Investment in subsidiaries* | | |
| Voting shares at cost | | |
| 100 common shares - F.T.C. Enterprises Limited | 100 | - |
| 100 common shares - Prince Edward International Ltd. | 100 | - |
| 2,500 common shares - Ward Holdings Ltd. - at nominal value | 1 | 2,500 |
| 4,354,444 common shares - Gemini Food Corporation | 2,313,877 | - |
| | 2,314,078 | 2,500 |
| Non-voting shares and debenture- Gemini Food Corporation | | |
| 135,600 convertible preferred shares | 1,288,200 | - |
| 40,795 Class B shares | 40,795 | - |
| 12% convertible debenture due April 1990 | 95,250 | - |
| | 1,424,245 | - |
| Accumulated earnings since acquisition | | |
| Prince Edward Island International Ltd. | 9,280 | - |
| Ward Holdings Ltd. | - | 6,506 |
| | 9,280 | 6,506 |
| | 3,747,603 | 9,006 |
| | 5,378,428 | 342,331 |

(c) *Condensed financial data of subsidiaries is presented in note 13.*

## 6. PROPERTY HOLDINGS

| | 1988 | | | 1987 |
|---|---|---|---|---|
| | Cost | Accumulated depreciation | Net | Net |
| | $ | $ | $ | $ |
| Industrial sites | 529,662 | - | 529,662 | 530,191 |
| Industrial malls | 3,135,900 | 677,560 | 2,458,340 | 2,648,730 |
| Office furniture and equipment | 31,259 | 8,558 | 22,701 | - |
| | 3,696,821 | 686,118 | 3,010,703 | 3,178,921 |
| Land, buildings, and equipment held for resale or under lease purchase options | | | 4,766,530 | 4,021,051 |
| Less: provision for possible losses | | | 1,167,935 | 771,480 |
| | | | 3,598,595 | 3,249,571 |
| | | | 6,609,298 | 6,428,492 |

## 7. OTHER INVESTMENTS

| | 1988 | 1987 |
|---|---|---|
| | $ | $ |
| Garden Province Meats (1985) Inc. | | |
| -Preferred shares relating to capital expenditures - at cost | 3,862,000 | 3,712,000 |
| -Preferred shares relating to operations - at nominal value | 1 | 1 |
| -Non-interest bearing interim loan | 518,000 | 518,000 |
| G.P.M. Limited Partnership - at market | 1 | 10,000 |
| | 4,380,002 | 4,240,001 |

## 8. DUE FROM (TO) THE PROVINCE

| | 1988 | 1987 |
|---|---|---|
| | $ | $ |
| **CURRENT OPERATIONS** | | |
| **BALANCE - BEGINNING OF YEAR** | 121,616 | (428,672) |
| Repayment (receipt) of previous year's excess | (121,616) | 428,672 |
| | - | - |
| Excess (revenue) expenses for the year | (4,884) | 243,015 |
| Excess of current year's expense for possible losses over budgeted provision for possible losses | (1,650,180) | (121,399) |
| **BALANCE - END OF YEAR** | (1,655,064) | 121,616 |
| **PROVISION FOR POSSIBLE LOSSES** | | |
| **BALANCE - BEGINNING OF YEAR** | 3,392,723 | 4,179,311 |
| Current year's expense | 3,970,180 | 921,399 |
| | 7,362,903 | 5,100,710 |
| Write-offs applied to reduce notes payable during the year | 119,842 | 1,707,987 |
| **BALANCE - END OF YEAR** | 7,243,061 | 3,392,723 |

## 9. NOTES PAYABLE

The notes payable are issued to the Province of Prince Edward Island and have various repayment terms and interest rates ranging from 9.36% to 13.32%.

## 10. INCENTIVE PROGRAMS

| | 1988 | 1987 |
|---|---|---|
| | $ | $ |
| **FINANCE** | | |
| Equity investors incentive | 1,225,400 | 220,000 |
| Job creation incentive | 1,666,040 | 1,411,320 |
| Rental incentive | 92,590 | 56,072 |
| Small business development corporations | 22,732 | 145,675 |
| Small business equity | 137,500 | 151,500 |
| Venture capital | 143,872 | 208,858 |
| Other | (3,919) | 74,172 |
| | 3,284,215 | 2,267,597 |
| **MARKETING** | | |
| Market development | 87,778 | 188,276 |
| Marketing plans | 222,431 | 292,395 |
| Product development | 198,857 | 236,729 |
| Market research | 29,806 | 15,122 |
| Advertising and promotion | 148,211 | 208,907 |
| Trade shows | 134,209 | 171,817 |
| Market organization, education, and management | 97,772 | 85,449 |
| Specialized market assistance | - | 14,650 |
| | 919,064 | 1,213,345 |
| **HANDCRAFT AND CULTURAL** | 130,434 | - |
| | 4,333,713 | 3,480,942 |

## 11. CONTINGENT LIABILITIES

As of March 31, 1988, the Agency was contingently liable under loan guarantees in the amount of $2,074,982 (1987 - $2,587,500).

Under an agreement including the Province of Prince Edward Island and Garden Province Meats (1985) Inc., the Agency is obligated to contribute to Garden Province Meats (1985) Inc. an amount equal to the net losses incurred in return for Class B preferred shares until July 12, 1988. The operating losses for the current year amounted to $61,773 (1987 - $779,765). For succeeding periods after July 12, 1988, if in any eight-week period less than 4,500 hogs per week are delivered to Garden Province Meats (1985) Inc., a contribution based on costs and lost revenue associated with operating below 4,500 hogs will be required. This obligation terminates at the earlier of December 31, 1995 or Garden Province Meats (1985) Inc. obtaining a specified level of retained earnings.

## 12. COMMITMENTS

Loans and equity investments approved but not disbursed at March 31, 1988 amount to $1,950,000 (1987 - $928,080).

The Agency has approved loan guarantees of $1,500,000 which were not utilized at March 31, 1988 (1987 - $205,250).

The Agency is committed to cost sharing incentive programs with clients. As at March 31, 1988, the estimated expenditure under Marketing commitments is $560,000 (1987 - $388,000) and under Finance commitments $369,900 (1987 - $556,000).

Pursuant to escrow agreements with the Ontario Securities Exchange Commission and Canada Trust dated September 22, 1986 and October 14, 1986 and assumed by P.E.I.D.A. on March 23, 1988, the Agency cannot sell without the consent of the Ontario Securities Commission, 1,801,455 common shares of Gemini Food Corporation.

On March 22, 1988, the Agency entered into the following irrevocable undertakings: (a) To make an unconditional public offering to acquire all of the outstanding common shares and convertible preferred shares of Gemini Food Corporation for .50c per common share and $9.50 per convertible preferred share. The offering is to be made within ninety days: (b) To retain all Gemini Food Corporation shares until such time as Gemini Food Corporation passes resolutions altering the terms and conditions attached to the Class A shares for the purposes of allowing earlier redemption.

The Agency has entered into agreements with persons beneficially owning 450,625 common shares in Gemini Food Corporation to purchase this 5.5% of the outstanding common shares under the same terms as to be offered in the public offering.

## 13. CONDENSED FINANCIAL DATA OF SUBSIDIARIES

**(a) Wholly-owned subsidiaries**

The following is a summary of the combined and condensed financial data of the wholly-owned subsidiaries F.T.C. Enterprises Limited, Prince Edward International Ltd. and Ward Holdings Ltd.

**BALANCE SHEET**

| | 1988 | 1987 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| Current assets | 205,084 | 21,149 |
| Fixed assets and other assets | 51,269 | 1 |
| | 256,353 | 21,150 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities | 86,240 | 12,144 |
| Shareholders' equity | 170,113 | 9,006 |
| | 256,353 | 21,150 |

**STATEMENT OF INCOME**

| | 1988 | 1987 |
|---|---|---|
| | $ | $ |
| **REVENUE** | 597,489 | 36,556 |
| **EXPENSES** | 602,367 | 41,676 |
| **NET LOSS FOR THE YEAR** | (4,878) | (5,120) |

**(b) Subsidiary**

The following is a summary of the condensed balance sheet of Gemini Food Corporation as at July 31, 1987, the last date for which audited financial statements were prepared. No summary of the income statement has been presented for the eight-day period from the date of acquisition to the Agency's fiscal year end.

**BALANCE SHEET**

| | July 31 1987 |
|---|---|
| | $ |
| **ASSETS** | |
| Current Assets | 6,538,477 |
| Fixed assets (net) | 2,555,048 |
| Goodwill (net) | 5,242,213 |
| | 14,335,738 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | |
| Current liabilities | 4,127,713 |
| Long-term debt and other liabilities | 416,914 |
| Capital stock | 8,494,322 |
| Retained earnings | 1,296,789 |
| | 14,335,738 |

## 14. SUBSEQUENT EVENT

On June 13, 1988, the Agency made a public offering in compliance with the undertaking disclosed in note 12.

## 15. COMPARATIVE FIGURES

Certain of the 1987 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1988.